QUESTIONS AND ANSWERS ON SOCIAL CREDIT

and related subjects

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FOREWORD

This booklet contains a number of QUESTIONS and ANSWERS on the principles of Social Credit and its related subjects.

Textbooks and the pamphlets dealing with Social Credit philosophy are numerous, but in some instances the phraseology used is difficult for the average layman.

Before we can hope to overcome the forces which oppose us in solving our economic problems, Canadians must be made to realize that each individual is responsible for assuming his share in bringing about a properly functioning Democracy.

This can only be realized when people generally have a reasonable amount of knowledge as to the causes of our economic ills. In order that our citizens may have a proper understanding of Social Credit, this booklet has been prepared not only to help those who seek such information for themselves, but also to aid them in meeting most of the enquiries which they may encouter in the ordinary course of their everyday life.

These QUESTIONS and ANSWERS do not, of course, provide a full exposition of Social Credit. However, some of the main principles involved are dealt with in the simplest terms possible.

Questions and Answers on Social Credit and Related Subjects

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PART I

INTRODUCTORY DEFINITIONS

1. What is democracy ?

Democracy is a social system in which the country's affairs are governed and managed in accordance with the wishes of the people to give them the results they want. In a properly functioning democracy, the people are the supreme constitutional authority, i.e., they are sovereign in the complete and effective control of all aspects of their social, economic and political life.

2. Has democracy failed ?

Definitely not. Democracy is an ideal social system, which has never been fully realized by this or any other nation. Our people have political and religious freedom to a certain extent, which enables them to exercise the right of free speech and the right to worship. But complete economic security with a full measure of personal freedom has never been attained since all of our activities are still directly or indirectly controlled by those who manipulate our monetary system.

3. What is a monopoly ?

A monopoly is a privilege or power enjoyed by an individual, a group of men, or even a state, which gives exclusive control or possession with respect to anything, whether it be money, a service, or a commodity.

4. What is meant by economic security ?

A person has economic security if he has reasonable assurance of obtaining the adequate material needs and comforts of life, such as food, clothing, shelter, fuel and health services, in order to live decently. If he cannot buy the things he needs, either through scarcity of goods or scarcity of money, he is denied the means of life, and, therefore has no economic security.

5. What is personal freedom ?

It is the right of every person to determine the course of his actions, whether it be the choice of work, in acquiring the ownership of whatever property he can buy, or in moving about, as long as in so doing he does not interfere with or take away the same right from others. In other words, an individual has personal freedom when he is free to act, to choose or to refuse, without being dominated by others.

6. What do people want ?

Most of the people, irrespective of colour, race or creed, have an expressed desire for a social system which will ensure them security with the greatest possible measure of freedom. They want their fair share of luxuries and a reasonable amount of leisure time so that they may enjoy cultural pursuits of their own choice. All in all, the people wish to attain a social system in which every citizen may have the right to an abundant life, liberty and the pursuit of happiness.

7. What is Social Credit ?

It is the credit of society which arises from the belief we all share, that by pooling our talents and resources, we can obtain the results we all want, and which would be otherwise impossible to gain.

Social Credit is simply a "way of life," and not merely a scheme for monetary reform. In brief, it involves the following:

SOCIAL CREDIT

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DEMOCRACY

INDIVIDUAL FREEDOM and NATIONAL SOVEREIGNTY

ECONOMIC SECURITY

PART II

THE MONEY QUESTION

8. What is money ?

Money is anything, no matter what it is made of, whether it be gold, silver, or paper, which has reached such a degree of acceptability that no one will refuse it in exchange for goods or services. Money may, therefore, be simply defined as a ticket system which acts as an effective claim on goods and services.

9. By whom is money created ?

The bulk of money is created by the private banks and consists of figures in bank ledgers.

(Excerpts from page 287 of the Report of Standing Committee on Banking and Commerce in 1939):

> Question: "But there is no question about it that the banks do create that medium of exchange?"
>
> Mr. Towers: "That is right. That is what they are there for."

10. In what ways do banks create new money ?

This money is created in three ways:

1. Allowing money to be drawn on an overdraft.

2 By granting loans. Every time a bank makes a loan, new money is created, which is added to the amout of money that is already in existence.

(Excerpts from page 188 of the Report of the

Standing Committee on Banking and Commerce in 1944):

> **Question: ". . . If the bank lends me $100 that is also called a deposit . . ."**
>
> **Mr. Towers: "When a bank makes a loan, it makes a loan to you. It credits $100 to your account."**
>
> **Question: "It is the creation of new money?"**
>
> **Mr. Towers: "That is correct."**

3. By purchasing securities.

(Excerpts from the Report of the Standing Committee on Banking and Commerce in 1939):

> **Question: "And they issue that form of medium of exchange when they purchase securities or make loans?"**
>
> **Mr. Towers: "That is the banking business, just the same way that a steel plant makes steel."** (Page 287).
>
> **Question: "When a $1,000,000 worth of bonds is presented (by the government) to the bank, a million dollars of new money or the equivalent is created?"**
>
> **Mr. Towers: "Yes."**
>
> **Question: "It is a fact that a million dollars of new money is created?"**
>
> **Mr. Towers: "That is right."** (Page 238).

11. To what extent is money created?

According to Section 59 of the Bank Act the private banks can create up to twenty times more money than they have in cash or on deposit with the Bank of Canada. In actual practice the banks maintain a ratio of 10 to 1 between the credit they create and the amount of cash in their possession or Bank of Canada deposit holdings.

12. What constitutes money ?

There are two kinds of money used today:

1. LEGAL TENDER (lawful money) consists of paper notes and metallic coins. This constitutes our national currency, which represents only about 5 per cent of the total amount of our money transactions carried out with this kind of money.
2. Credit entries of the private banks called BANK DEPOSITS. About 95 per cent of all business transactions are carried out in this manner by the use of cheques.

(Excerpts from page 223 of the Report of the Standing Committee on Banking and Commerce in 1939):

> **Question: "Ninety-five per cent of all our volume of business is being done with what we call exchange of bank deposits—that is, simply bookkeeping entries in banks against which people write cheques?"**
>
> **Mr. Towers: "I think that is a fair statement."**

13. What is inflation ?

Inflation is a condition which arises when the amount of money in circulation as purchasing power which the people have with which to buy the goods is MORE than the normal prices of all the goods for sale, resulting in an increase in the prices of such goods, and thereby reducing the purchasing power of each dollar.

14. What is deflation ?

Deflation is the opposite of inflation. It is a condition which arises when the amount of money in circulation as purchasing power which the people have with which to buy the goods is LESS than the usual prices of all the goods for sale, resulting in prices being forced down below their cost of production through an unsaleable supply of goods accumulating on the market.

15. Who benefits by these conditions ?

The international financiers benefit under both conditions.

During deflation, under which banks call in their loans thereby creating stringent monetary conditions, prices of goods and property are forced down; securities are thrown on the market resulting in their prices being likewise forced down; and the property of persons and concerns, who are unable to repay their loans, falls into the hands of the banks and their subsidiaries. While investment prices are at a low level the financial institutions are able to buy them up at scrap prices.

When the process is reversed, and by extending loans freely, the banks create inflationary conditions They and other financial institutions not only obtain the benefit of the increased interest rates they can charge, but they can then unload the securities which they bought at scrap prices, knowing that later, when deflation is reimposed, they will be able to buy them back cheaply.

Thus by alternating between inflation and deflation, the institutions having a monopoly control of finance can centralize more and more power in their own hands.

16. How does money get into circulation ?

Practically all money is issued to the public as credit loans by the private banks, i.e., every dollar put into circulation originated either as a bank loan to a customer or as a result of a bank buying the debt represented by a security. This money is then distributed partly in the form of wages, salaries and profits as income which the people earn in producing or distributing goods and services or through the channels of government services. The remainder is used for transactions between firms in the purchase of capital goods and raw materials and does not necessarily reach the public as purchasing power.

PART III

THE SOCIAL CREDIT SOLUTION

17. What are the defects of the existing financial system?

The major defects are as follows:

1. The present money system is completely controlled by a highly centralized money monopoly which has failed to provide sufficient money to buy available goods as, when and where they are required.

2. The volume of money available to the people with which to carry out their business is arbitrarily restricted, generally by the gold or security holdings of the central bank. This results in the arbitrary restriction of production with a consequent limitation of the people's standard of living.

3. The system operates in such a manner that the aggregate purchasing power distributed to the people is insufficient to enable them to buy the goods and services for sale on the consumer market. This gap between the total purchasing power and the total prices of consumer goods increases as a country becomes more industrialized.

4. The outstanding feature of our modern economy is the progressive displacement of manpower in industry by power-driven machinery. However, under our present monetary system, purchasing power is distributed almost entirely as wages, salaries and other payments for work in the production and distribution of goods. Therefore, as man-power is displaced by power-driven machinery, pay rolls are decreased, thereby decreasing purchasing power in spite of the fact that the ability to produce has been increased in the process. Hence the world-wide spectacle of POVERTY AMIDST PLENTY.

18. How would Social Credit correct the defects in the money system ?

The existing defects in the monetary system would be remedied by the following simple, yet far-reaching, reforms:

1. A National Monetary Authority would be set up and *would be responsible to the people of Canada,* through Parliament and the Minister of Finance, for.—

   (a) The operation of the national monetary system;
   (b) Ensuring that the necessary financial facilities were made available to finance all wanted production; and
   (c) Ensuring that a constant balance is maintained between total purchasing power and the total prices of goods on the *market.*

2 The National Monetary Authority would be required to keep proper accounts and, at all times, to *to have a record of the relationship between total* purchasing power and the prices of available consumer goods.

3. *Any deficiency of purchasing power would be* rectified by the issue of new money direct to consumers equal to the "gap" between the total prices of goods for sale on the market and the money available *with which to buy them, by means of* —

   (a) NATIONAL DIVIDENDS, payable to all citizens as incomes sufficient to ensure at least basic economic security and in addition to any earned incomes.
   (b) A drastic reduction in taxation.
   (c) A reduction in retail prices, under which *retail merchants would be authorized to* sell their goods at a discount and, subject to proper safeguards, they would

receive the amounts of such discounts in the form of subsidies paid by means of new debt-free money created by the national monetary authority on behalf of the State.

19. How would the private banks function under Social Credit ?

The private banks would be deprived of the power they now possess to create, issue and withdraw money in the form of financial credit, except as agents for the national monetary authority. For this purpose, they could be required to hold against all deposits, a corresponding amount of cash or its equivalent in credit balances with the Bank of Canada. Thus, instead of the nation being indebted to the banks for the money it borrows, the banks would be in debt to the nation for the money they lend. In short, the private banks would cease to be the MASTERS and would become the SERVANTS of the people.

20. Would Social Credit do away with the Bank of Canada ?

No. The Bank of Canada could be the means through which the National Credit Authority would operate.

21. What methods are employed today to finance public services ?

The methods used are:—

1. National Currency.
2. Taxation.
3. Borrowing from the people.
4. Borrowing from the chartered banks.

22. How would Social Credit finance post-war reconstruction projects and normal public services?

The National Monetary Authority would be responsible for ensuring that adequate money and credit was made available to finance all necessary capital development, having due regard to maintaining a proper balance between capital production and the production of consumers' goods.

23. Does Social Credit propose the printing of a wholesale supply of paper money?

No. Money would be issued as goods are produced, and would be withdrawn and cancelled as goods are consumed. This would be done in such a manner that at all times the people would have purchasing power equal to the total prices of goods on the market, wanted by the people. Thus, both inflation and deflation would be avoided.

24. What evidence is there that the present money system fails to distribute sufficient purchasing power under normal peace-time conditions?

A mass of evidence exists on this point. The Social Credit analysis of Major C. H. Douglas leaves no doubt on the matter. Besides such independent bodies as the Southampton Chamber of Commerce, the London (England) Chamber of Commerce, the Messrs. Foster and Catchings under the auspices of the Pollak Foundation (U.S.A.) and many others, have provided evidence of the deficiency of purchasing power generated by the present money system.

However, for most people, the most convincing proof is provided by the evidence of world events. If the money system failed to distribute sufficient purchasing power to buy the goods produced in, say Canada, then we would expect to find an unsaleable surplus of goods piling up on the market.

Though people wanted the goods, they would be unable to buy them. This would lead to restricted production, resulting in unemployment. Those thrown out of work would lose their incomes. The employed would be taxed to keep them—while the total purchasing power would be reduced. More goods would pile up; taxation would increase; savage cut-throat competition would develop; production would be further restricted; unemployment would increase, purchasing power would shrink further; prices would be forced down—and the situation would go from bad to worse. In desperation, producers would attempt to dump their unsaleable surplus on other countries. They in turn would try to dump their unsaleable surplus on us. Each would resist the threat of their home market being invaded. International friction would increase.

That is just what did happen before the war—and there is no other complete explanation of the condition of "poverty amidst plenty" which occurred.

25. What should be the fundamental principle in a sound money system?

In our modern economic structure, it is essential that the money system should serve the people by providing them with sufficient purchasing power at all times with which to buy all of the goods for sale. It should provide inducements to individuals who would be willing to co-operate in the production of goods which people want. In order that it should function smoothly, a sound money system should maintain a BALANCE between the amount of money available as purchasing power and the prices of all goods for sale at any given time.

26. **How would Social Credit meet the shortage of purchasing power ?**

Let us take these illustrative figures:—

Total Aggregate Prices of Goods For Sale	$2,400
Purchasing Power Possessed by People	1,500
Additional Purchasing Power Needed	$ 900

The National Monetary Authority would be authorized to issue and distribute $900 of consumer credit (or new money) direct to the people by means of:—

1. THE COMPENSATING PRICE DISCOUNT.

The retail merchants would be compensated for reducing their prices by, let us say, 25% to consumers. If an article for sale is retailed at $4.00, the National Credit Authority would pay the merchant $1.00. while the customer would pay him only $3.00. It would be understood that the discount be made up to merchants who maintained a fair ratio of profit in their dealings.

Let us suppose that $400 out of every $900 of new money was spent for bonusing retail sales, an amount of $500 still remains to be distributed.

2. INCREASED SOCIAL SERVICES.

Social services would be financed by the use of national credit. Taxes would thus be reduced step by step.

Suppose that this absorbed another $200. That would leave a balance of $300 still to be spent.

3. NATIONAL DIVIDENDS.

National dividends would be issued to every citizen, thus balancing the total purchasing power with the total prices of goods

This would absorb the remaining \$300 of new money.

Thus the distribution of a controlled amount of new money would enable the people to have \$2,400, with which to buy \$2,400 worth of goods for sale.

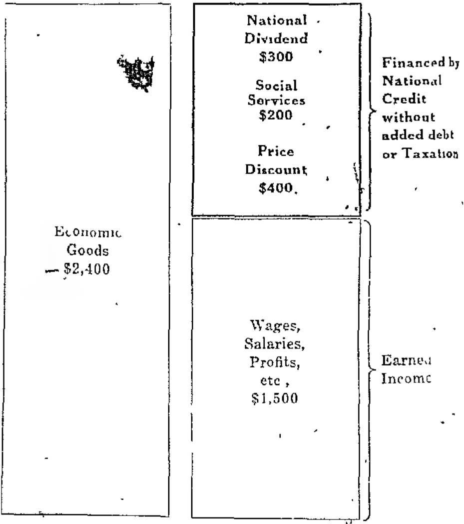

Diagram showing proper balance.

27. What would be the function of the National Monetary Authority ?

Its main functions would be to ensure that the necessary money and credit was available to finance the production of all wanted goods, to establish a proper system of national accounting, and to maintain a constant balance between the total prices of goods available for purchase by consumers and the total purchasing power of the people.

28. From what sources would people receive their incomes in a Social Credit economy ?

There would be two main sources:—

1. The people would continue to receive their earned income in the form of wages, salaries, profits or commissions as at present.

2. In addition, every citizen, whether or not he were employed, would receive a claim on goods and services in the form of a NATIONAL DIVIDEND, ensuring him basic economic security with freedom, as his rightful share of the nation's abundance which is destroyed or wasted under the present system.

29. Where is the money to come from with which to pay the National Dividend ?

The money would come from the same source all money comes from. It would be created against the goods which have been produced and are actually available for distribution; but which owing to our defective monetary system cannot be bought because the people lack the purchasing power. The objective should be to make *financially possible* that which is physically possible and desirable. Hence, the national dividends instead of being financed by means of debt and taxation, would be distributed by the issue of new money *through an* effectively controlled monetary system, in keeping with the proper relationship between the total ag-

gregate prices of goods and the purchasing power available.

30. What would National Dividends do?

NATIONAL DIVIDENDS would provide every Canadian with economic security, as a right, in the home, in work, in sickness, in unemployment and in old age. A person having economic security as a right of citizenship would have economic independence. He would not be forced to accept the wages or conditions of work dictated by another. He would not live in constant fear of the consequences of losing his job or being ill. He would have freedom—real freedom. In short, national dividends provide the key to "economic security for all with personal freedom," and because of the control which these would give the people, the payment of national dividends would rapidly establish a TRUE ECONOMIC DEMOCRACY.

31. Is the dividend "something for nothing"?

No. Power-driven machinery is able to produce goods in abundance with a progressively decreasing amount of human effort. The great difference in production between the age of scarcity of centuries ago and the present era of plenty is the result of the accumulated knowledge and skill handed down to us from past generations. No individual or industrial monopoly is entitled to all the benefits derived from this heritage. Hence it is not "something for nothing," but our share of the common cultural inheritance, giving us a valid claim on goods and services sufficient to provide us all with economic independence in regard to the necessities of life

32. What should be the chief objectives of a properly functioning economic system?

The main objectives should be as follows:—

1. To assist and encourage the maximum produc-

tion and distribution of goods and services as, when and where required.

2. To distribute to individuals sufficient money in the form of purchasing power to ensure the equitable distribution of the available goods and services in a manner which will provide the maximum economic security with the greatest possible measure of personal freedom for all.

3. To use the benefits of science and invention to full advantage, thereby decreasing the need for manual labour, and increasing the opportunity for leisure.

PART IV

GENERAL

33. Is it the intention of the government, under a Social Credit economy, to take over industries?

—Definitely not. There is no suggestion of "socializing" the means of production and placing all industry under government control. It is not the factories, but the products of the factories which people want. The efficiency of the present productive system with the proper encouragement of individual enterprise and of the inventive genius of men, has shown itself capable of producing an abundance. Having replaced the age of scarcity, the crux of the problem is to ensure the equitable distribution of that abundance. This can be done by providing the people with sufficient purchasing power.

34. Would abolition of profits cure our economic ills?

No. If all the profits of industry were abolished or given away to the workers, the people would still lack sufficient purchasing power with which to buy the total output of industry.

Let us suppose the sale price of an article is made up of the following costs:—

SALE PRICE (**$100**) = Labour Costs (**$45**) + Capital Costs (**$45**) + Profit (**$10**).

If the profit of $10 were redistributed to the wage earners, the people would still lack about $45 to buy the finished product.

It is the abuse of profit taking that is undesirable, but a reasonable profit itself for services rendered is not only desirable but a necessary incentive to production as it encourages individual enterprize and initiative.

35. Does it make any difference who owns the banks?

No. If the control of the money system is not exercised by the people through their Parliament, it makes no difference whether the banks are owned by a private monopoly or operate as a State monopoly. In fact, the money monopoly would welcome the nationalization of banks, for no other reason than that of obtaining the statutory powers of the State: for if the banks were merely State owned and operated, and the money system remained unaltered, the effect would be to replace the existing private monopoly by a State monopoly under the control of the same group of international financiers who now control world finance. This would greatly increase the latter's power.

36. Is Social Credit opposed to compulsory insurance schemes and why?

Yes, Social Crediters oppose compulsion by a centralized authority because it is a violation of democracy. All such plans are based on setting aside portions of the earnings from wages and salaries for future use in periods of unemployment, ill-health or old age. Such schemes are totally inadequate in that they do not increase the aggregate purchasing power in the hands of the consumers and, therefore, do not solve the problem of the deficiency which exists between the total prices of goods on the shelves and the purchasing power in the hands of the consumers. They merely equalize poverty and insecurity; they do not abolish poverty nor provide social security. Morevoer, they are totalitarian, because they impose regimentation by a State authority on the lives of the people.

37. Does the International Money Monopoly control the lives of nations?

Yes. The financial system operates in such a way that the power of control over industry, trade, commerce and every aspect of our national life be-

comes concentrated in the hands of those who control the monetary system. The following quotations from world authorities indicate the power of the International Finance:

> 1. Unless representative government is to be entirely discredited, a new system must be adopted. At present, the President of the Bank of England wields a power that makes Kings and Premiers look like pygmies. He works with the hidden hand of Wall Street, whose secret diplomacy in Europe and elsewhere, makes an open mockery of the nation's representatives."

By the late David Lloyd George, former Prime Minister of Great Britain, in the British House of Commons.

> 2. "Finance can command the sluices of every stream that runs, to turn the wheels of industry, and can put fetters upon the feet of every government that is in existence."

By the late Honourable J. Ramsay McDonald, Prime Minister of Great Britain.

> 3. "It was the bankers who, in order to maintain the exchange value of their money, plunged this country and ultimately the whole world into the miseries of depression and unemployment, who denied a subsistence payment to those who (by their will) were out of work, who denied a subsistence living to primary producers everywhere, who allowed wheat, cotton, coffee, and cocoa to be burnt rather than 'sell at a loss'—while millions of human beings suffered from want, and often starvation, in idleness. To every outworn economic shibboleth of the nineteenth century, including the conception of strictly balanced annual 'budgets,' they stuck like glue. They produced poverty in the midst of plenty on a scale never hitherto experienced, or even approached. Finally—with the aid of six million German unemployed—they produced Hitler."

Taken from "The New Economy," by Robert Boothby. (Mr. Boothby, a Conservative member for the British House of Commons since 1924, is a nephew of Lord Cunliffe, the predecessor of Montagu Norman, the late Governor of the Bank of England. From 1926 to 1929, he also held the post of parliamentary private secretary to the Chancellor of the British Exchequer, the Hon. Winston Churchill.)